



**CHARTER REVIEW SUB-COMMITTEE OF THE CITY OF SAN DIEGO  
FINANCIAL REFORM SUB-COMMITTEE  
CHAIR- DONNA JONES**

**MINUTES FOR  
FRIDAY, SEPTEMBER 21, 2007, AT 8:00 A.M.**

**COUNCIL COMMITTEE ROOM (12<sup>TH</sup> FLOOR),  
CITY ADMINISTRATION BUILDING  
202 C STREET, SAN DIEGO, CALIFORNIA**

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8:55 Call to Order. Roll Call.

Committee Members:

Donna Jones, Chair	Present
John Gordon	Present
Vincent Mudd	Present
Lei-Chala Wilson	Excused
James Milliken	Excused

Staff in Attendance:

Andrea Tevlin, Independent Budget Analyst  
Lisa Briggs, Office of the Mayor  
Larry Tomanek, City Attorney's Office  
Mary Lewis, Finance Director  
Greg Levin, Comptroller

NON-AGENDA PUBLIC COMMENT

Mr. Phil Hart addressed the committee on the issue of internal auditor. Mr. Hart made clear that the internal auditor cannot be part of management and should report to the City Council. Further, that the City Council needs the financial expertise that a truly independent auditor provides.

SUB-COMMITTEE COMMENT

Mr. Gordon noted that the Mayor had announced that an Internal Auditor had been chosen for the City of San Diego. He requested that the subcommittee be given a formal briefing on the process of hiring this individual.

#### CITY ATTORNEY, COUNCIL INDEPENDENT BUDGET ANALYST COMMENT.

None

ITEM – 1: Action Item-Further discussion of creation of Balanced Budget Requirement and forward recommendations to full Committee

James Ingram submitted a memo offering language for a potential charter amendment requiring a balanced budget. That memo is attached. Mr. Gordon noted that page two of the memo seems to imply fixing capital issues over multiple years. He also noted that the language in Section 71 of the Charter would be negated should a balanced budget amendment be approved. The language in Section 71 from the word “However...” through the rest of the Section could be struck. Mr. Gordon would like to see this issue addressed as part of the balanced budget discussion.

There was one public speaker on the item. Mr. Phil Hart addressed the subcommittee on this issue. He posed the question “Why would you not want a balanced budget?” He supports such a requirement in the Charter.

Mary Lewis, Director of Financial Management for the City of San Diego and Greg Levin, Comptroller for the City of San Diego addressed the subcommittee regarding the need for a charter amendment requiring a balanced budget. Ms. Lewis walked the committee through the current process which requires that the Mayor/Manager present a balanced budget, Council approve a balanced budget and have that reflected in the Appropriations Ordinance and that on-going monitoring maintain that budget. There are mid-year adjustments that may require amendments to the Appropriations Ordinance. Further, staff will be going to the Council’s Budget Committee within the week with a reserve policy which includes an appropriated reserve requirement.

Mr. Levin discussed the need to account for a reserve in any discussion of a balanced budget requirement. While the principal objective is a balanced budget, there are times when a City might not want a balanced budget such as during a major disaster or where the reserve has grown to a level well above what is needed. Mr. Levin echoed concerns voiced at previous meetings about using Generally Accepted Accounting Principles (GAAP) language in the Charter. GAAP is a broad term that can include methods like modified accrual accounting and full accrual accounting that includes depreciation. Depending on which you apply, results will differ. Mr. Levin also provided materials from 1962’s Prop F which now is reflected in the Charter as Section 69. A copy of that material is attached.

Some language changes that might accommodate the GAAP issue were discussed, but it was noted that any of these could also be misinterpreted. Mr. Mudd and Mr. Gordon both requested assistance in how to craft the language to address the GAAP issue and the broader question of how to clean up the current language. The Charter is currently silent on how to compel the City Council to act when the budget falls out of balance.

How to best deal with capital projects and deferred maintenance relative to a balanced budget requirement was discussed. The City currently uses a blend of “pay as you go” and bonding. If the language is too strict, then the City could find itself locked into a certain method that is not in the long term best interests of the public. While it is appropriate to bond for capital projects (and manage that debt long term), deferred maintenance is more of an operational budget issue. The question was raised by the subcommittee, how to best accommodate the need for maintaining public assets and have that priority reflected in the budget?

There was consensus that the goal is to insure a balanced budget that accommodates a plan to deal with the capital needs of the City.

There was no clear resolution or action on this item. Given that the issue is to be addressed by the full committee on September 27, 2007, staff will work to get another subcommittee meeting set prior to the 27<sup>th</sup>.

ITEM – 2:      Action Item-Approve the Minutes from September 7, 2007 Financial Reform Subcommittee Meeting

Motion by Mr. Mudd, second by Mr. Gordon, to accept the minutes of September 7, 2007 as presented.

Passed unanimously.

9:55 Adjourn